
BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Increase of Rates	:	Docket No. 08-046-01
And Charges and Increases in USF	:	DPU Exhibit 1.0 R
Eligibility for Manti Telephone	:	(REDACTED)
Company	:	
	:	

REBUTTAL TESTIMONY

OF

**William Duncan
STATE OF UTAH
DIVISION OF PUBLIC UTILITIES**

OCTOBER 30, 2012

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I. INTRODUCTION OF WITNESS

Q: Are you the same William Duncan who previously filed testimony in this docket?

A: Yes. I filed direct testimony on behalf of the Division of Public Utilities (DPU).

II. PURPOSE AND SCOPE OF TESTIMONY

Q: What is the purpose of your testimony in these proceedings?

A: My testimony will respond to the direct testimony of the Office of Consumer Services (OCS) filed in this docket.

Q: Please summarize the Division’s thoughts on the direct testimony of the OCS.

A: The DPU shares many of the same concerns, and has identified many of the same issues that were presented in the OCS direct testimony. However, the DPU and OCS may have differed in the methodology used to correct or adjust these issues. The DPU believes that while differing methods may be utilized, each can produce a reasonable result.

Q: Are there any specific OCS adjustments on which the DPU would like to comment?

A: Yes, there are two adjustments in particular; First, OCS adjustment, 3.1 DBREV, imputed [REDACTED] of revenue from Manti Telecommunication Company (MTCC) to Manti Telephone Company (MTC). The Division agrees in principle that an adjustment in revenue to account for MTCC’s use of MTC facilities is not unreasonable in order to ensure that Utah Universal Service Fund (UUSF) funds are not being used to subsidize an

22 unregulated affiliate. In agreement with the OCS, DPU believes that the tariffed rate that
23 MTC charges to MTCC, \$5/month is inadequate. Imputing revenue is a valid method of
24 accounting for all or part of the MTCC issue. The DPU chose to apportion costs in the
25 manner it did with the purpose of accounting for the MTCC subsidization. As such, the
26 DPU has not calculated a separate imputed revenue number from MTCC.
27 Second, the DPU has reviewed the regulatory treatment of MTC's Net Operating Loss
28 (NOL) in computing income taxes, identified as OCS adjustment 2.8D Ost. This NOL
29 from prior years can be applied towards the future taxable income of MTC. This
30 adjustment will reduce the income tax liability of MTC to [REDACTED] in the normalized test
31 year, a reduction of [REDACTED] from the DPU direct testimony. The DPU believes it is
32 appropriate to include this adjustment in calculating future UUSF support. This
33 adjustment will be described more completely by Ms. Benvegna-Springer in her rebuttal
34 testimony

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36 **Q. Does this change the DPU's overall recommendation and exhibits?**

37 **A** Yes. This adjustment in income taxes changes the DPU recommendation to [REDACTED]
38 [REDACTED] This is a reduction from MTC's current level of interim UUSF of
39 [REDACTED], leaving future UUSF eligibility of [REDACTED] annually. Exhibits 1.1 R, 1.3 R,
40 and 1.4 R have also be modified to reflect this change.

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42 **Q: Does this conclude your rebuttal testimony?**

43 **A:** Yes it does.